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AMERICAN METROPOLITAN ENTERPRISES LIMITED



ANNUAL REPORT

for the year ended 31st December, 1965

AMERICAN METROPOLITAN ENTERPRISES LIMITED

APRIL 5, 1966

Home Office, 3768 Bathurst Street, Downsview, Ontario, Canada

London Office:

Kassner House, 25 Denmark Street, London, W.C.2, England

New York Office:

135 West 50th Street, New York, New York 10019, U.S.A.

Directors:

Edward Kassner • Victor Borge • Arnold I. Burns • Joseph Dillinger
Melvin Fields • Hugh Honsberger • Margaret Illingworth

Officers:

Edward Kassner, *Chairman and President* • Margaret Illingworth, *Vice-President*
David A. S. Dane, A.C.A., *Vice-President in charge of United Kingdom subsidiaries*
Melvin Fields, *Treasurer* • Arnold I. Burns, *Secretary*

Auditors:

Eddis & Associates, Toronto

General Counsel:

Mermelstein, Burns & Lesser, New York

Canadian Counsel:

Raymond & Honsberger, Toronto

Transfer Agents:

Eastern & Chartered Trust Company, Toronto

The president and new members of the board



Edward Kassner



Victor Borge



Joseph Dillinger



Arnold I. Burns

THE PRESIDENT'S REPORT

I am pleased to report that 1965 has been the most successful year of operations for your company since its incorporation at the beginning of this decade.

Far from merely extending our consistent record of profitable operations each year, the fiscal period ended Dec. 31, 1965, saw a breakthrough to new and substantially higher levels for both consolidated gross revenues and net profit after taxes.

Gross revenues rose approximately 85% to a record \$759,012 compared to \$411,129 in 1964. Net profit after taxes increased dramatically to \$193,085 from \$41,408 the previous year for a gain in excess of 350%.

These most gratifying comparisons might tend to obscure the fact that in 1965 your company earned approximately \$1 in net profit after taxes for every \$4 of income — a ratio which few North American public companies can match in modern times. While it should be noted that this 1965 ratio was assisted by available tax carry forwards, in general the music industry in which we operate offers the opportunity of a higher profit percentage of income than is available to most other industries.

In your company's case, this is facilitated by rigid controls on overhead and inventories, and the virtually total absence of labor problems. In fact, although we have representative organizations of all sizes throughout the world, the entire business of your company is capably conducted with only 21 full-time employees.

Songs published by AME subsidiaries found exceptional public acceptance during the year. Our English subsidiaries were notably successful, contributing almost 40% of consolidated gross revenues.

Songs from our catalogue entered the best-selling single charts in the United States, England and other countries 14 times, while albums containing our songs were consistently on best-selling charts throughout the year.

Our most successful songs in the teenage market, all of which were in the top 10 in a number of countries, included "All Day And All Of The Night"; "Tired of Waiting"; "Set Me Free"; and "Who'll Be The Next In Line". Our current sales leader is "A Well Respected Man", which made the top 10 on the popular hit parade in England, France, Canada and the United States.

All of the above-noted songs were recorded by a well-known English group called "The Kinks", which was discovered by one of our affiliated companies.

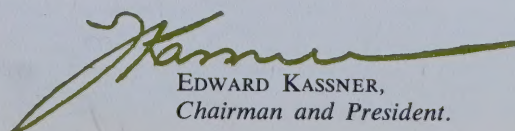
One of our famous standards — "I'll Be With You In Apple Blossom Time" — enjoyed a successful revival when recorded by Wayne Newton. Your company also owns foreign rights to some of the music recorded by Sonny & Cher, an American husband and wife team which was acclaimed in Europe.

Your board of directors has been strengthened with the addition of three new members: Victor Borge, world-renowned artist and entertainment personality; Joseph Dillinger, chairman of the board and president of National Capitol Life Insurance Company, Philadelphia, Pa.; and Arnold I. Burns, a member of the law firm of Mermelstein, Burns & Lesser, New York, N.Y.

It is pleasing to report that the profitable pace of 1965 operations is continuing through the early months of the current year, and that your directors are keeping alert to further growth opportunities in this dynamic industry.

I gratefully acknowledge the dedicated efforts of management, employees, agents and representatives in their fine achievement of the past year, and the loyal support of our growing family of shareholders.

On behalf of the board,



EDWARD KASSNER,
Chairman and President.

AMERICAN METROPOLITAN

(Incorporated under the Laws of the State of New York)

AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS			
		1965	1964
Current Assets:			
Cash	37,932		8,568
Demand loan, repaid January 12th 1966	134,543		
Accounts receivable	8,628		16,116
Prepaid expenses	7,232		5,230
Funds held in trust	8,755		
		<u>197,090</u>	<u>29,914</u>
Advances to another company			167,194
Investments — at cost:			
Associated companies	152,047		150,982
Mortgages receivable	2,846		2,763
Other corporations	841		2,438
		<u>155,734</u>	<u>156,183</u>
Cash surrender value life insurance		590	
Fixed Assets — at cost:			
Rental properties, land and buildings			60,805
Automobile, furniture and fixtures	37,711		33,072
			<u>93,877</u>
Less accumulated depreciation	18,558		24,279
		<u>19,153</u>	<u>69,598</u>
Other Assets:			
Music copyrights, record masters — see Note 2		1,613,529	1,567,000
Goodwill		65,000	65,000
		<u>\$2,051,096</u>	<u>\$2,054,889</u>

Notes To Consolidated Balance Sheet

As at December 31st, 1965

- As in previous years, income has been recorded on a cash basis with the exception of sheet music sales for which accounts receivable have been recorded. The expenses and royalty obligations are recorded on an accrual basis.
- No amount has been provided for amortization of music copyrights, record masters and artists' contracts as in the opinion of the management such amortization is not required, since new music copyrights, record masters and artists' contracts are continually being added to the assets of the various subsidiary companies.
- The notes payable of \$49,639 are secured by music copyrights owned by a borrowing subsidiary and by a direction to American Society of Composers, Authors and Publishers to pay directly to a bank all performance revenue earned by the borrowing corporation. The bank has been authorized to make principal and interest payments on notes. The notes are also secured by the personal guarantee of the company's president.
- According to the terms of a Trust Indenture, the company pledged certain of its assets and directed payment of all revenues from Broadcast Music Inc. to the trustees for distribution in accordance with the terms thereof. In the event of default under the Trust Indenture the whole of the remaining balance of \$257,100 plus twenty percent of such balance shall be payable.
- Two subsidiary companies were formed during the year, American Metro Music Limited in the United Kingdom and AME Musikverlag in the federal Republic of West Germany. These companies have not been consolidated as in the opinion of the directors the companies have no real value in view of the insignificant accounts involved.

ENTERPRISES LIMITED

(the Province of Ontario)

Y COMPANIES

DECEMBER 31st, 1965

LIABILITIES

Current Liabilities:	1965	1964
Bank loan	18,905	34,893
Accounts payable and accrued expenses	46,723	169,489
Royalties payable and accrued	322,092	203,704
Notes and loans payable	8,867	
Provision for income and withholding taxes	28,034	18,408
Notes payable due in year	105,100	80,575
Due to director		7,045
	<u>529,721</u>	<u>514,114</u>
Deferred taxes	1,633	
Deferred revenue	17,670	43,597
First mortgage payable, 6%		48,115
Due to associated companies	18,727	84,752
Notes payable — see Note 3	49,639	65,278
Less due in year, transferred to current section	43,000	21,575
	<u>6,639</u>	<u>43,703</u>
Notes payable — see Note 4	257,100	315,000
Less due in year, transferred to current section	62,100	59,000
	<u>195,000</u>	<u>256,000</u>
Due to director	24,755	
SHAREHOLDER'S EQUITY:		
Capital Stock:		
Common shares, no par value		
Authorized — 2,000,000 shares		
Issued — 1,000,070 shares	1,000,070	1,000,070
Retained earnings	256,881	64,538
	<u>\$2,051,096</u>	<u>\$2,054,889</u>

Approved on behalf of the Board,

E. KASSNER

M. ILLINGWORTH

Directors

The attached auditors' report to the shareholders and notes to the balance sheet are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For Year Ended December 31st, 1965

Balance, December 31st 1964	\$ 64,538
ADD:	
Consolidated net profit for year	193,085
	<u>257,623</u>
DEDUCT:	
Adjustment on acquisition of English company	\$2,258
Conversion of foreign currency	<u>3,884</u>
	6,142
	<u>251,481</u>
ADD:	
Reduction of legal costs re prior year	5,400
	<u>\$256,881</u>
Balance, December 31st 1965	

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the consolidated balance sheet of American Metropolitan Enterprises Limited and its wholly owned subsidiaries as at December 31st 1965 and the attached consolidated statements of operations and retained earnings for the year ended on that date. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have received audited consolidated financial statements reported upon by Barnett & Willens, Accountants and Management Consultants, New York, N.Y., U.S.A. and by Chalmers, Impey & Co., Chartered Accountants, London, England.

In January 1963 the company agreed to purchase the outstanding shares of Kassner Associated Publishers Limited, England, and investments representing fifty percent ownership of certain foreign companies.

The non-English associated companies are included in the attached consolidated balance sheet as "Investment in associated companies, at cost, \$152,047." We have not examined audited financial statements for these associated companies nor have we examined share certificates or other documents to

signify ownership. However, a revised agreement dated January 4th 1965, states, "Mr. E. Kassner has sold and transferred to American Metropolitan Enterprises Limited all shares and/or interests as provided for in the said agreements of January 1st 1963 and otherwise has fully complied therewith save for the final formalities in transferring the interests in some of the lesser Continental European companies. The reason for these exceptions is that in some jurisdictions actual share certificates or other indicia of ownership are not used."

Subject to the foregoing as set out in the preceding paragraph, in our opinion based upon our examination of the Canadian accounts and the consolidated financial statements reported upon by Barnett & Willens, Accountants and Management Consultants, U.S.A. and Chalmers, Impey & Co., Chartered Accountants, England, the accompanying consolidated balance sheet and consolidated statement of operations and retained earnings present fairly the financial position of the company and its subsidiaries as at December 31st 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 16th, 1966.

Eddis & Associates,
Chartered Accountants

CONSOLIDATED STATEMENT OF OPERATIONS

For Year Ended December 31st, 1965

	1965	1964
Revenue from Music Copyrights:		
Performance income	162,492	124,671
Mechanical music royalties	414,551	148,396
Foreign use of copyrights	121,826	23,073
Sheet music and folios	40,308	81,956
Total revenue earned from ownership of music copyrights ..	739,177	378,096
Revenue from record masters and artist contracts	11,433	16,751
Management fees associated companies	8,402	16,282
	19,835	33,033
Total income	759,012	411,129
Cost of Sales:		
Royalty expense — Composers, original publishers and recording artists	281,671	93,720
Record sessions, printing of sheet music, copyrighting, etc. .	19,873	42,199
	301,544	135,919
Gross profit	457,468	275,210
Operating Expenses:		
Salaries, promotion and professional	153,257	138,183
Administrative expenses	61,746	75,581
	215,003	213,764
	242,465	61,446
DEDUCT:		
Financial Expenses —		
Interest	27,406	13,799
Operating profit for year	215,059	47,647
DEDUCT:		
Loss on operation and disposal of rental properties	3,372	2,510
Profit for year before provision for income taxes	211,687	45,137
Less provision for income taxes	18,602	3,729
Consolidated net profit for year after depreciation of \$3,933 in 1965 and \$7,019 in 1964	\$193,085	\$41,408

(Provision for income taxes has been reduced as prior years' losses have been applied against current year's taxable income.)

WHOLLY OWNED SUBSIDIARIES OF AMERICAN METROPOLITAN ENTERPRISES LIMITED

U.S.A. and CANADA:

Music Publishing:

American Metropolitan Enterprises of New York, Inc.
Berkshire Music, Inc.
Broadway Music Corp. (wholly-owned by subsidiary
Syndicate Music, Inc.)
Edward Arthur Music Publishing Corp.
Edward Kassner Music Company, Inc.
Edward Kassner Music Co. (Canada) Ltd.
Edwards Music Co., Inc.
Glenbrook Music Corporation
Glow Music Corp.
Jay Boy Music Corp.
Kryder Music Corp.
Piccadilly Music Corp.
Pinelawn Music Publishing Co. Inc.
Rush Music Corp.
Saxon Music Corp.
Syndicate Music, Inc.
Tideland Music Publishing, Inc.
Town & Country Music, Inc.
Tray Music Corp.

Recording:

President Records, Inc.
Seville Records, Inc.

Artist Management:

A.M.E. Management Corp.

UNITED KINGDOM:

Music Publishing:

The Edward Kassner Music Company Limited
The J. Norris Music Publishing Company Limited
Unit Productions Limited
Cecil Lennox Limited
City Music Limited
Grosvenor Music Company Limited
Myers Music Limited
Rush Music Limited
Gale and Gayles Limited

Recording:

President Records Limited

Artist Management and Theatrical Productions:

Welbeck Productions Limited
Madison Productions Limited

ASSOCIATED COMPANIES (Representing 50% ownership unless indicated)

U.S.A. and CANADA:

Music Publishing:

Peter Schaeffers Music Corp.
Marian Music Corp.
Larry Spier (Canada) Limited

UNITED KINGDOM:

Music Publishing:

Schaeffers-Kassner Limited
Larry Spier Limited (in liquidation)
Bens Music Limited
Cumberland Music Limited
Coslow-Kassner Limited
Yukon Music Limited — 45% owned
Derry Music Limited — 45% owned
Success Music Limited — 30% owned

Artist Management and Recording:
Denmark Productions Limited

GERMANY:

Music Publishing:

Ed Kassner Musikverlag
Musikverlag Broadway G.m.b.H.

Recording:

Broadway Platte G.m.b.H.

FRANCE:

Music Publishing:

Editions Monica — Paris

ITALY:

Music Publishing:

Edizioni Musicali Edward Kassner s.r.l. Milan

BELGIUM:

Music Publishing:

S.P.R.L. Ed Kassner Music Company — Brussels

SWEDEN:

Music Publishing:

Kassner Music A.B. — Stockholm
Broadway Music A.B. — Stockholm

BRAZIL:

Music Publishing:

Editora Kassner — Sao Paulo
Editora Broadway — Sao Paulo

